



Alberta Darling
Wisconsin State Senator
Member, Joint Committee on Finance

TESTIMONY BEFORE THE SENATE COMMITTEE ON PUBLIC HEALTH, HUMAN
SERVICES, AND REVENUE
SENATE BILL 224
OCTOBER 20, 2011

Thank you Chair Galloway and members of Senate Committee on Public Health, Human Services, and Revenue for allowing me to speak to you today about Senate Bill 224, which will grant a levy limit exception for the Village of Shorewood.

Simply put, Senate Bill 24 provides one year of relief from the levy limit law to avoid a \$2 million tax increase due to an error in reporting the value of Tax Increment District #1 in Shorewood.

After talking to the Department of Revenue and being assured that correcting this error for the village through legislation would have a minimal impact on the fiscal impact for the rest of the state, I drafted Senate Bill 224 to help the Village of Shorewood and its residents minimize the impact of this error.

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SANDY PASCH
STATE REPRESENTATIVE

2011 Senate Bill 224
Written Testimony of Representative Sandy Pasch
Senate Committee on Public Health, Human Services, and Revenue
October 20, 2011

I appreciate the opportunity to submit written testimony on this proposal in front of you today.

The Village of Shorewood's assessor made an error in reporting the valuation for the Village's Tax Incremental Financing District #1 as \$77,000,000 instead of \$77,000. Unless resolved, this error will result in a significant over collection of revenues, which in turn would lead to dramatic tax increases – roughly \$2 million in total – for many residents within the Village.

Due to the fact that equalized values certified by the Department of Revenue cannot be changed for that taxation year, legislation is necessary in order to ensure that Shorewood taxpayers are not on the hook to cover the over collection without incurring a permanent reduction in levy capacity for the Village. In turn, this proposal will protect the Shorewood residents and the Village by allowing the Village to reduce its 2011 levy to reflect the correct amount of revenue, while allowing them to add back the reduction to its 2012 levy.

I know the Village and its residents appreciate your prompt consideration of this matter, and thank you for allowing me to submit these brief written comments in support of this important proposal.



AT THE EDGE OF THE CITY AND
THE HEART OF EVERYTHING

October 20, 2011

The Honorable Pam Galloway, Chair
Public Health, Human Services and Revenue
409 South Capitol

The Honorable Tim Carpenter, Member
Public Health, Human Services and Revenue
19 South Capitol

The Honorable Mary Lazich, Member
Public Health, Human Services and Revenue
8 South Capitol

The Honorable Jennifer Shilling, Member
Public Health, Human Services and Revenue
106 South Capitol

The Honorable Leah Vukmir, Member
Public Health, Human Services and Revenue
131 South Capitol

State Capital
Madison WI 53707

Re: Senate Bill 224

Dear Senators Galloway, Carpenter, Lazich, Shilling and Vukmir:

Thank you for taking time this morning to consider Senate Bill 224. This bill directly impacts the Village of Shorewood, of which I am the village manager. I am joined today by Shorewood Village President Mr. Guy Johnson. We are asking for you to support this measure on behalf of the residents and businesses of Shorewood.

Senate Bill 224 provides one year of relief from the levy limit law (66.0602) to avoid a one-time, \$2-million tax increase due to an erroneous error in reporting the value of the Village of Shorewood Tax Increment District #1 value.

This error is the result of the Village of Shorewood assessor, Associated Appraisal, entering an erroneous dollar amount while reporting the Village of Shorewood Tax Increment #1 2011 value in the Department of Revenue's (DOR) new electronic reporting system.

The correct written TIF report for the Village of Shorewood had a valuation of \$174,592,400; the erroneous number entered into the DOR was \$252,359,000. This error will result in a TIF tax revenue over-collection for the Village of Shorewood of more than \$2 million, resulting in a tax increase for all residents of \$1.44 per \$1,000 of equalized value in 2012 or \$511 to an average village household. This increase is solely attributable to this error.

The Village of Shorewood recognized this error the day after the DOR published their Jan, 1, 2011 equalized TIF report, contacted DOR representatives the same day and requested that the number be amended to reflect the accurate amount. The request was rejected pursuant to department policy.

The Village of Shorewood contracted with Ehlers and Associates, a public finance firm, to review alternative actions to avoid the \$2-million tax increase on Shorewood's taxpayers. Six alternatives were identified; all but one was rejected by the DOR.

Under the recommended option, the Village of Shorewood would be required to reduce its 2011 village levy in an amount necessary to compensate for the impact of the over valuation of Tax Increment #1 (as illustrated below). If it does so, the village's allowable levy will be permanently reduced by the same amount of the levy reduction. The one-time relief in the levy limit will allow the Village of Shorewood to lower the 2011 levy needed for 2012 and supplement the budget via fund balance or short-term borrowing. This would be recovered through an additional levy in 2012 and 2013. In 2012, there would not be a tax increment levy for TIF #1, and in 2013 the TID 1 levy would only be approximately \$440,000. Thus, the amounts can be levied without adding additional tax levy.

Shorewood Levy Adjustments with Statutory Relief

Levy Year	<u>2011</u>	<u>2012</u>	<u>2013</u>
Allowed Village Levy prior to adjustments	10,353,038	8,343,038	10,353,038
Reduction in Village Levy to offset TID Error	(2,010,000)		
Statutory Adjustment Requested		2,010,000	0
Debt Levy for Funds Borrowed to offset Levy Reduction		1,230,000	780,000
Actual Village Levy	8,343,038	11,583,038	11,133,038
TID Levy without Assessor Error	1,217,667		
Additional TID Levy due to Error	2,010,000		
Actual TID Levy	3,226,022	0	440,502
Total Village & TID Levy Prior to Error	11,570,705		
Total Village & TID Levy After Adjustments	11,569,060	11,583,038	11,573,540

The DOR has indicated it would support this method of addressing the data entry error as documented in the attached letter, dated September 16, 2011, from Scott Shields, director of the Bureau of Equalization. He states a statute change is needed to make a one-time exception to the levy limit, which would make this recommended option a realistic option.

The legislation recommended is in front of you today.

I am sure we can all agree that the taxpayers of the Village of Shorewood should not be subjected to an average \$511 property tax increase based on a simple reporting error by a private company. This is unfair to the residents and surely runs contrary to the levy limits this legislature recently enacted to help hold down property taxes across Wisconsin.

Thank you sincerely for your positive consideration on Senate Bill 224. The taxpayers of the Village of Shorewood are deeply appreciative of your support for this measure.

Sincerely,

M. Chris Swartz
Village Manager
Village of Shorewood



State of Wisconsin • DEPARTMENT OF REVENUE

DIVISION OF STATE AND LOCAL FINANCE • BUREAU OF EQUALIZATION • MADISON, WI

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September 16, 2011

Chris Swartz, Manager
Village of Shorewood
3930 N. Murray Avenue
Shorewood, WI 53211

Dear Mr. Swartz:

This correspondence responds to our September 12, 2011 phone conversation and a September 16, 2011 electronic mail from Todd Taves, the Village of Shorewood's financial advisor. Mr. Taves' correspondence provided a set of information along with options regarding an error in the Village's 2011 Tax Incremental District (TID) #1. You along with Mr. Taves seek the Department of Revenue's (DOR) guidance. Please consider the following.

As you know, DOR annually publishes equalized values for each municipality and increment values for each TID. The values are final upon publication under sec. 70.57, Wis. Stats., where any corrections are applied to the subsequent year as specified by statute. The finality is vital given the many uses of the values that occur upon publication.

In order to determine accurate equalized values for municipalities and TIDs, DOR is reliant upon municipal assessors. Specifically, assessors are required to provide DOR with an annual report for the municipality and any TIDs that identify value changes from the prior year. The error in question was the result of an inaccurate report filed by the Village assessor with DOR on June 13, 2011. Given the information on the report was questionable; DOR staff contacted the Village assessor's office. The Village assessor's office confirmed that the report was correct and applicable to the Village's TID #1. With this confirmation from the Village assessor's office, DOR applied the information to determine the 2011 increment for TID #1. The Village's assessor has not since provided DOR with an amended report as to the correct values for TID #1. As a result, DOR is not able to confirm those numbers provided by Mr. Taves in his September 16, 2011 electronic mail.

Mr. Taves' correspondence provides five options. DOR considers the second option as the best option for the Village to consider. The remainder suggests, in part, adjusting the 2011 values as certified by DOR. As stated above, the 2011 values as certified on August 15, 2011, are in use by numerous entities and other processes where a change to a 2011 certified value is not possible. The following provides information for the Village to consider regarding the second option.

The 2011 total value of TID #1 is \$251,267,500 and results in an increment of \$112,136,200. However, Mr. Taves states the correct 2011 value increment is \$42,400,000 and the correct 2011 total value of TID #1 is \$181,531,300. In order to mitigate the estimated impact to the Village property owners for 2011, the Village may consider reducing the municipal levy by the amount of the additional tax increment:

- With the \$112,136,200 increment value, DOR estimates that the tax increment collected would be \$3,368,912.45. With the \$42,400,000 increment value, DOR estimates that the tax increment collected would be \$1,209,239.90. The resulting tax increment collected will be about \$2,159,672 more using the certified Equalized Values compared to using the "corrected" Equalized Values.
- The Village may decrease its levy by the \$2,159,672 and collect \$3,183,642.82 for the tax increment.
- The lower municipal levy would also reduce the amount of tax increment.
- A difference of \$185,269.63 is the result of the lower Village levy applied to the Tax Increment Worksheet.

The correction process under sec. 70.57, Wis. Stats., will result in no increment in 2012 and a smaller increment in 2013. IF the obligations of the TID fund are being met and the larger than expected amount of tax increment generated is not needed in calendar year 2012 the Village MAY choose to reduce the amount of the Village property tax levy. This would result in the changes noted above. However, the Village needs to be mindful of the levy limit implications. For 2011 and thereafter the Municipal Levy Limit is based on the actual municipal levy. Therefore, a reduction, such as outlined above will reduce the amount the Village is allowed to levy in the future. A statute change would be needed to make an exception to the levy limit law.

With respect to the correction of the 2011 error in 2012 and 2013, DOR can only adjust up to the amount of that year's potential incremental value. Therefore, as mentioned above, DOR anticipates making corrections over the next two years as specified by statute where no increment will be available in 2012 and 2013. Given the amount of the additional increment in 2011, it is anticipated that complete compensation will not occur unless the TID experiences significant growth.

If the municipality decides to proceed with such an action, DOR encourages discussion with the TID Joint Review Board. I hope you find the information helpful. Please contact me with any questions.

Sincerely,



Scott R. Shields, Director
Bureau of Equalization

cc: Alberta Darling, State Senator, 8th Senate District
Sandy Pasch, State Representative, 22nd Assembly District
Todd W. Taves, Executive Vice-President, Ehlers
Michael C. Harrigan, Chairman / Sr. Financial Advisor, Ehlers
Greg Landretti, Deputy Administrator, Division of State and Local Finance
Dan Davis, Director, Bureau of Local Government Services